

## Appendix A – 2016/17 Capital Expenditure Update

### 1. Purpose

This appendix provides a summary of capital expenditure in the 2016/17 financial year along with a short progress update on the major capital projects. An overview of the 2016/17 total capital investment, sources of financing and the impact of the Trust's cash balance is provided at the end of this document.

### 2. 2016/17 Capital Funding Summary

Actual capital expenditure at the end of quarter 2 was £4.03m as shown below compared to the approved £15.0m capital budget for the year:

**Table 1: Summary 2016/17 Capital Programme**

<b>Project Description</b>	<b>2016/17 Budget £m</b>	<b>2016/17 Actual £m</b>
Brought forward schemes	0.00	0.05
Estates – 3 <sup>rd</sup> Floor ITM project	0.00	0.18
Estates - QE heritage & offsite buildings	1.50	0.29
Estates – QEHB works & lifecycle	3.30	1.55
Equipment - Rolling replacement	3.00	0.75
Equipment - Major equipment replacement	3.05	0.35
Equipment - Other inc. COO discretionary	2.25	0.27
IT Replacement & specific projects	1.40	0.14
External funded donated assets	0.50	0.46
<b>TOTAL</b>	<b>15.00</b>	<b>4.03</b>

Note - may contain rounding differences.

### 3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.18m has been incurred in 2016/17 on the early stages of refurbishment of the 3<sup>rd</sup> Floor ITM. The costs for the whole project will be funded by the University of Birmingham and European funding (subject to award of the grant).
- QE Heritage building & offsite building refurbishment: Work has continued on the Clock Tower tank relining project and other lower value projects. Planned work around the Heritage building on lift replacements, fire alarms and external drainage will begin shortly.
- QEHB works and lifecycle: £1.55m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This expenditure also includes number of approved variation works along with lifecycle refurbishment across the building undertaken as part of the PFI contract.
- Equipment rolling replacement: A budget of £3.00m exists for the replacement of existing medical equipment across the Trust. Items prioritised for replacement by the medical engineering team include

patient monitors, anaesthetic machines, surgical aspirators, ITU ventilators, ultrasound scanners and operating tables. The procurement and delivery of these items will take place on a phased basis throughout the financial year, with a total expenditure of £0.75m to date

- Major medical equipment: Expenditure to date of £0.26m includes payments for equipment linked to the purchase of PET CT scanner in 2015/16. The balance of 2016/17 funding includes £1.80m for the replacement of a Linear Accelerator due for delivery in February and a funding for a replacement CT scanner and associated works. Procurement of these has commenced with orders placed for both along with some smaller equipment including an ultrasound scanners and dosimetry equipment.
- Other equipment purchases: Expenditure of £0.27m has been incurred in the first six months which includes the purchase of a cortical stimulator and fluid warming cabinets. Further expenditure is planned in year with business cases approved for the XIO treatment planning systems, scope replacement and Gallium 68 equipment £0.36m.
- IT projects: £0.14m on small value IT replacement and modernisation items has been incurred to date; meetings are scheduled with the IT project managers to review the planned expenditure for the rest of 2016/17.
- Donated Equipment: £0.46m of equipment and vehicles were awarded to the Trust in the first six months of the year following successful bids to the QEHB charity. Items included a mobile breast care trailer and mammography equipment installed within the trailer and brain stimulation equipment received in September.

#### **4. Capitalised Payments and Sources of Funding**

In addition to the capital project expenditure outlined above, the Trust incurs two further capital payments which relate to the New Hospital. These are the capital repayment of the finance lease and the new hospital lifecycle payment. In 2016/17 these items total £13.28m as follows:

- £12.79 for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £0.49m for new hospital lifecycle prepayments.

When added to the normal capital programme expenditure above, the Trusts total planned capital investment for 2016/17 is £28.3m as shown below;

**Table 2: 2016/17 Capital Expenditure & Sources of Funding**

<b>Capital Funding &amp; Expenditure</b>	<b>2016/17 Plan £m</b>	<b>QTR 2 Plan £m</b>	<b>QTR 2 Actual £m</b>
Capital Programme Expenditure	(15.0)	(5.5)	(4.0)
New Hospital Capital Payments	(13.3)	(6.5)	(6.5)
<b>Sub Total Capital Expenditure</b>	<b>(28.3)</b>	<b>(12.0)</b>	<b>(10.5)</b>

Note - may contain rounding differences.

This capital investment has been funded from the following sources;

- £20.50m Trust depreciation
- £0.50m External funding (QEHB Charity)
- £12.25m Capital disposal proceeds (Selly Oak site)

To maintain the Trust's overall cash balances, capital investment should be broadly balanced by the sources of funding. In 2016/17 the sources of capital funding are higher than planned expenditure due in part to the gain from Selly Oak land sale receipts.